

Message Text

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ACTION ARA-10

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SUBJ: MARCONA EXPROPRIATION - SHIPPING AND SALES

REFS: A) STATE 178349, B) LIMA 6039

1. JAMES COMPTON, MARCONA EXECUTIVE FROM SAN FRANCISCO, WHO ARRIVED IN LIMA EVENING OF JULY 29 HAS AMPLIFIED AND CLARIFIED TO US ADRIAN'S COMMENTS (REF B) ABOUT ECONOMICS OF MARCONA OPERATIONS. MARCONA HAD BEEN SELLING ITS ORE TO JAPAN AT \$15.66 CIF A TON. NOW, FOLLOWING EXPROPRIATION, ING. RUBINA OF MINPECO HAS SENT CABLES TO ALL COMPANIES RECEIVING MARCONA ORE, OFFERING TO CONTINUE TO SELL ORE AND ASKING FOR IMMEDIATE REPLIES. RECEIVING COMPANIES IN TURN CONTACTED MARCONA HEADQUARTERS IN SAN FRANCISCO FOR INSTRUCTIONS. MARCONA INFORMED ITS RECEIVERS THAT ITS MINE HERE HAD BEEN EXPROPRIATED AND THAT RECEIVERS SHOULD REPLY THAT THEY ARE AWAITING FURTHER CLARIFICATION OF THE SITUATION. COMPTON UNDERSTANDS THAT RECEIVERS HAVE MOST PROBABLY FOLLOWED MARCONA'S ADVICE.

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2. COMPTON SAID THAT ALTHOUGH RUBINA DID NOT QUOTE A

PRICE TO RECEIVERS, HE UNDERSTANDS THAT MINPECO IS SEEKING TO SELL ITS ORE AT \$11.00 FOB A TON AND HOPES TO PICK UP A FEW SPOT-SHIPPING CONTRACTS, SUCH AS ADRIAN'S MENTION OF SWEDISH GROUP OFFERING SHIPPING AT \$4.50 PER TON. USING THE \$11.00 FOB PRICE, COMPTON FIGURES THAT PERUVIANS MIGHT REACH ORIGINAL MARCONA PRICE. COMPTON NOTED THAT MARCONA HAD CHARGED APPROXIMATELY \$6.50 PER TON FOR ITS LONG-TERM SHIPPING CONTRACTS AND THAT GOP COULD USE THIS ARGUMENT AGAINST MARCONA IN THE FUTURE. IN COMPTON'S PROFESSIONAL JUDGMENT, HE DOES NOT BELIEVE THAT GOP CAN RELY ON SPOT CONTRACTS IN LONG RUN.

3. IN RESPONSE TO SPECIFIC QUESTIONS PARA 2 REF A, IT APPEARS THAT TRADITIONALLY IRON ORE HAS BEEN SOLD IN WORLD MARKETS WITH SHIPPING INCLUDED IN THE TOTAL COST AND THAT GOP'S RELIANCE ON FOB SALES COULD EVENTUALLY JEOPARDIZE LONG-TERM DELIVERIES. THUS, IT IS NOT A QUESTION OF ECONOMICS OF SCALE, BUT OF RELIABLE SHIPPING CONTRACTS INVOLVED. FINALLY, ADRIAN CITED THE JAPANESE EXAMPLE, BUT THE SAME DELIVERY ARRANGEMENTS APPLY TO ALL SHIPMENT, INCLUDING THOSE TO THE U.S. AND EUROPE.
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